

## OVERVIEW: HOUSING & ECONOMIC RECOVERY ACT OF 2008 (HERA) Housing Colorado!

### Neighborhood Stabilization

\$53 million in CDBG type funding to purchase and redevelop abandoned and foreclosed residential properties

- In general, HERA requires projects to serve persons and families at less than 120% of AMI and that at least 25% of funds be used for persons and families at less than 50% of AMI (A new CDBG National Objective is to benefit “Low - moderate and middle income (LMMI)” families)
- Funds can be used for:
  - Purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed, in order to sell, rent or redevelop such homes and properties (No foreclosure purchased with HERA funds can ever be sold for more than the cost of acquisition and rehabilitation.)
  - Foreclosed homes shall be purchased at a discount of at least 5% from the current market-appraised value; the average discount during the 18 month period shall be at least 15%
  - Land banks—Must be foreclosed residential property; the property can be demolished and held as land only for up to ten years (HUD will not allow costs for boarding up, lawn mowing or costs to maintaining the property in static condition)
  - To demolish blighted structures; Redevelopment of demolished or vacant foreclosed residential properties
  - Financing including soft seconds, shared equity mortgages or loan loss reserves for LMMI Homebuyers.
  - HUD strongly encourages green building and energy efficiency improvements in all NSP activities and long-term affordability.
  - HUD is allowing a 5 year reinvestment period that will end July 30, 2013

The Neighborhood Stabilization Program allows the State to fund Non-profits, Housing Authorities, Housing Finance Authorities, Indian Tribes and *local government*

*Entitlement areas*—unlike the existing CDBG program

- Not all CDBG Entitlement areas received an allocation, if the amount they qualified for was \$2 million or less
- NSP allocations are as follows:
  - \$ 34,013,566 in state program funding
  - \$ 4,600,211 allocated to Adams County
  - \$ 4,474,097 allocated to Aurora
  - \$ 3,904,989 allocated to Colorado Springs
  - \$ 6,060,170 allocated to Denver
- All funds must be awarded and under contract within 18 months after receipt
  - State must develop a Housing Action Plan that gives “priority emphasis and consideration” to areas of greatest need
  - This Action Plan Amendments must be posted to the Colorado Division of Housing website for public review and comment by November 5, 2008
  - Interested applicants must submit their Letter of Intent to Apply to the Colorado Division of Housing for Neighborhood Stabilization Program Funding by October 29th

### **Private Activity Bonds**

Intended to help meet the increased demand for long-term, fixed rate mortgage finance and refinance loans for low and moderate income homebuyers and to serve as a resource for the development of affordable rental housing.

- The \$152 million in new PAB funds for Colorado is a special, extraordinary one time authorization
- These funds work like Colorado's existing PAB dollars, but are targeted to housing only
- For home mortgages, the PAB is available to serve a broader audience—including families facing repricing of ARMs.
- Additionally, the bill expands PAB usages in the following ways:
  - Allows PAB to be used for refinance of single family loans
  - Allows bond proceeds to be used for single-room occupancy units
  - Exempts housing bonds from the Alternative Minimum Tax

### **Low Income Housing Tax Credits (LIHTCs)**

Provides \$1.97 million increase (half each in 2008 and 2009) to the Low Income Housing Tax Credit (LIHTC) cap

- Fixes the credit amount at “9 Percent” for projects receiving competitive credits
- Allows 30% basis boost for HOME-assisted properties
- Defines AMI in rural areas as greater of AMI and NNMI for “9 Percent Credit” developments
- CHFA (the state’s allocating entity) intends to roll 2008 credits into its 2009 available credit and will hold a formal public hearing on the 2009 Qualified Allocation Plan (QAP) in November 2008.

### **National Housing Trust Fund (NHTF)**

Minimum \$3 million from National Housing Trust Fund

- Freddie Mac and Fannie Mae (GSEs) are required to contribute 4.2 basis points for each dollar of unpaid principal balance of [the GSE’s] total new business purchases each year to an Affordable Housing Fund
- Targeted for rental housing for very low and extremely low income
- At least 90% of the funds must be used for the production, preservation, rehabilitation, or operation of rental housing, but up to 10% can be used for production, preservation, and rehabilitation of homes, down payment assistance, closing cost assistance, and assistance for interest rate buy-downs for first-time homebuyers.
- Funds were initially projected to start flowing in 2010 and reach capacity in 2012. However, due to current conservatorship situation, GSEs will not have to make contributions to the NHTF until they are restored to financial health.

### **Capital Magnet Fund (CMF)**

National value will grow to \$50 million by 2010 and \$200 million by 2020

- Approximately 26% of the Government Sponsored Enterprise funding will be administered through competitive grants to Community Development Financial Institutions (CDFI) by the Treasury Department; **requests will have to demonstrate 10:1 leveraging**
- As with the NHTF, GSEs do not have to make contributions to the CMF, until they are restored to financial health
- Funding can be used for:

- Housing development
- Preservation activities
- Economic development
- Affordable rental or single-family.
- Community service facilities linked to affordable housing in rural and low-income areas
- Revolving loan fund like a local Housing Trust Fund or State Housing Trust are also eligible uses

### **Housing Counseling**

\$180 million national program for housing counseling for households at risk of foreclosure

- New HUD Neighborhood Stabilization Program Rules require a minimum of 8 hours of pre-purchase housing counseling for families
- \$26 million is the maximum request amount allowable and must be supported by demonstrated capacity to serve a specified number of borrowers
- CHFA working with current grantees through the NeighborWorks Initiative to develop an application

### **HOPE for Homeowners**

\$300 billion national insurance program

- Insures new mortgages offered by FHA-approved lenders to
  - Refinance distressed loans
  - Offer discounts for at risk owner-occupants
- Seller assisted programs will not be allowed
- All down payment assisted programs must be HUD approved

### **Other Provisions**

- *Homeless assistance*: \$30 million increase in the authorization level for McKinney-Vento homeless assistance programs for homeless children, youth and their families who have become homeless due to foreclosures
- *Veterans Assistance*: Modeled on distribution of back Social Security benefits, the bill authorizes DoD to reimburse military service members' moving expenses if they were renting a home and were forced to move because of a foreclosure
- *Public Housing*: The bill greatly diminishes the public housing agency annual plan requirements for PHAs that administer fewer than 550 combined units of public housing and vouchers

**For more detailed information and other state and national resources, please go to [www.housingcolorado.org](http://www.housingcolorado.org)**

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